Q2 2026 Update

Fund & Market Recap

During the second quarter of 2026, equity markets recovered from the selloff triggered by events in the Middle East. Various equity indexes posted double-digit gains, while the composite hedge fund index was up mid-single digits. Our fund also benefitted from these same dynamics, returning over 10% for the quarter.

Economic Performance & Outlook

GDP continued to be solid during the quarter despite higher oil prices and rising inflation. Employment remained strong with modest but steady job growth. Policymakers appear willing to take a patient approach to inflation caused by high oil prices. Market expectations are for stable interest rates while the dynamics in the Middle East sort themselves out. This should lead to similar economic performance over the balance of 2026.

Market Expectations

Given the healthy economic environment discussed above, positive performance should continue through year-end. Instability in the Middle East will continue to be a driver of volatility but we expect this to gradually stabilize over the balance of the year. This should lead to a persistent recovery across markets and sectors, particularly those that have been affected by elevated oil prices.

Fund Positioning

We rounded out our positions in airlines and regional banks that we began building during the Middle East selloff. These investments leave us well positioned to benefit as oil prices normalize. We expect there to be continued volatility as the Iran situation plays out and have maintained a government bond position that will be used as a source of cash as additional opportunities arise.

Q2 2026 Return Information

Q2 2026			Full Year 2026		
LPG Cap Part [1]	HF Comp Ind [2]	Russell 2000	LPG Cap Part [1]	HF Comp Ind [2]	Russell 2000
10.09%	4.25%	21.85%	5.28%	4.66%	21.15%

1. Certain expenses are estimated for quarterly returns; annual returns are actual
2. All Hedge Index the hedge fund index ticker BHEDGE as reported by Bloomberg

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Investment Updates

AEROSPACE	Operations continue to improve with this investment. We are approaching key Federal Aviation Administration approvals for plane models and increased production. We expect this to lead to improvement in free cash flow and overall financial performance. As these milestones are achieved, we expect our investment to continue to generate positive returns.
AIRLINES	While security prices in this sector have recovered from the lows, we see significant upside as oil prices work back to pre-war levels. Given we expect oil prices to be volatile as negotiations take place, we have flexibility to increase these investments if valuations warrant. Operations are handling the fuel price rise reasonably well, with demand solid despite rising ticket prices. Our investments continue to generate positive cash flow within the current fuel price environment, giving us confidence in their ability to navigate these challenges.
FINANCIALS	Higher inflation has changed the theme around interest rates in the short term. Markets no longer expect rates to fall through the end of the year. However, strong economic performance has supported financial performance of our various regional bank positions. We expect this trend to continue and the interest rate outlook to turn more positive as inflation returns to the path towards 2%. Given this backdrop, we remain comfortable with our current exposure and would only add to these positions if valuations become more attractive.
OTHER OPPORTUNITIES	We continue to monitor opportunities in the consumer discretionary, media, and infrastructure sectors. We believe most remain too far from a catalyst to inspire an investment today. As we move through 2026, or as volatility creates more attractive valuations, we will look to build positions.
Outlook	While the political tensions are likely to keep markets volatile, we do expect the dynamics behind higher oil prices to be addressed over time. As we progress through the remainder of 2026, we expect this environment to provide a solid finish to the year.